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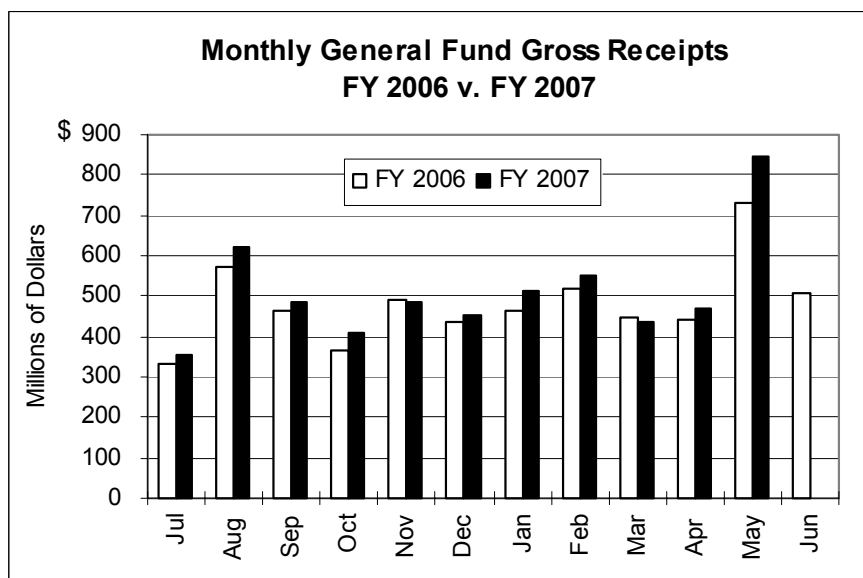
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: June 1, 2007

Monthly General Fund Receipts through May 31, 2007

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$6.109 billion set by the Revenue Estimating Conference (REC) on April 6, 2007. The FY 2007 estimate is an increase of \$338.4 million (5.9%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting has not been scheduled.



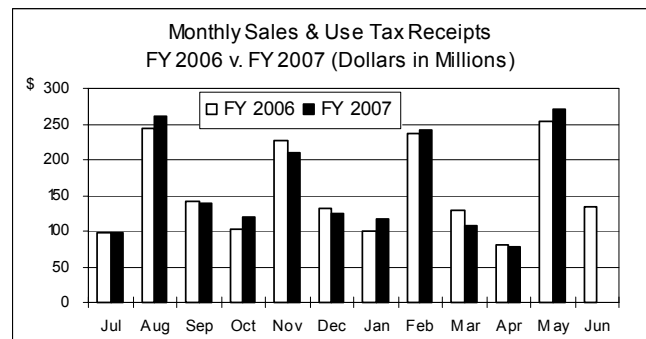
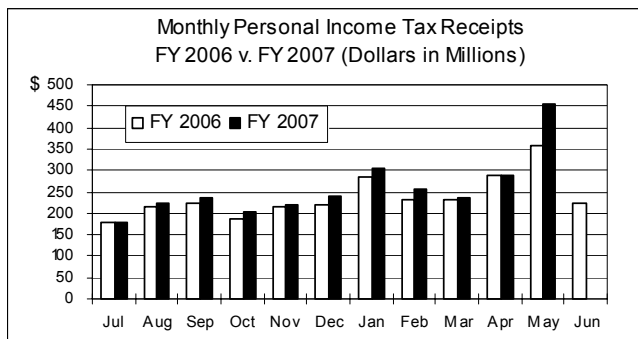
FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$355.3 million (6.8%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$211.8 million, 8.0%)
- Sales/use tax (positive \$21.7 million, 1.2%)
- Corporate tax (positive \$89.5 million, 31.2%)
- Other taxes (positive \$14.8 million, 5.2%)
- Other receipts (positive \$17.2 million, 5.5%)

Personal income tax revenues received in May totaled \$454.2 million, an increase of \$97.3 million (27.3%) compared to May 2006. The payment with tax returns portion of personal income tax increased \$81.9 million (77.2%) for the month. Withholding table rate reductions over the past two years have increased the amount of money taxpayers owe when returns are filed. In addition, strong stock market growth during 2006 contributed to the large increase.

The FY 2007 REC income tax estimate of \$3.034 billion represents a projected increase of 6.3% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 8.0%. By subcategory, withholding tax payments increased 4.8%, income tax estimate payments increased 13.0%, while payments with returns increased 25.9%. The following chart compares FY 2007 monthly personal income tax receipts from the three personal income tax subcategories with FY 2006.



Sales/use tax receipts received in May totaled \$270.6 million, an increase of \$16.4 million (6.5%) compared to May 2006.

The REC estimate for FY 2007 sales/use tax receipts is \$1.906 billion, an increase of 1.3% compared to actual FY 2006. Fiscal year-to-date sales/use tax receipts increased 1.2%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

Corporate tax receipts received in May totaled \$55.1 million, a \$1.6 million increase (3.0%) compared to May 2006. Corporate tax receipts have shown strong growth since February 2003.

The REC estimate for FY 2007 corporate tax revenue is \$440.5 million, an increase of 26.4% compared to actual FY 2006. Year-to-date corporate tax revenue has increased 31.2%.

Other tax receipts received in May totaled \$41.9 million, a \$1.4 million decrease (-3.2%) compared to May 2006. Insurance premium tax receipts were down \$9.7 million for the month while cigarette and tobacco tax revenue increased \$11.3 million. The cigarette tax rate increased from \$0.36 per pack to \$1.36 per pack in mid-March.

The REC estimate for FY 2007 receipts from other taxes is \$378.7 million, an increase of 10.2% compared to actual FY 2006. Year-to-date other tax receipts have increased 5.2%.

Other receipts (non-tax receipts) received in May totaled \$22.9 million, a \$2.8 million decrease (- 10.9%) compared to May 2006. Interest, fee, and judicial income decreased for the month.

The REC estimate for FY 2007 other receipt revenue is \$350.3 million, an increase of 2.0% compared to actual FY 2006. Year-to-date other receipts have increased 5.5%.

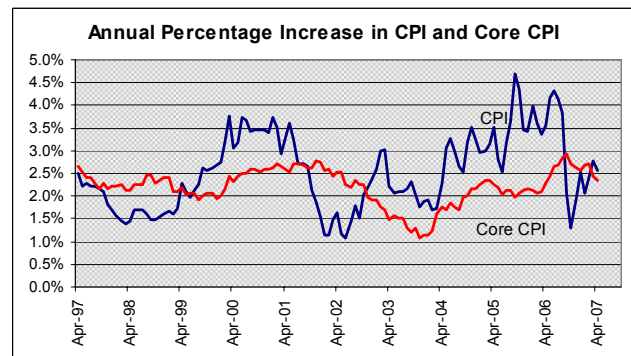
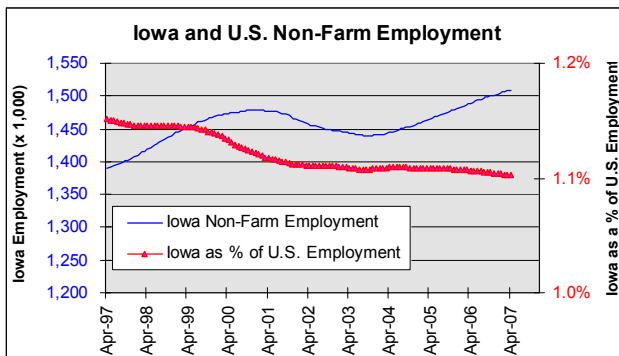
Tax Refunds issued in May totaled \$53.6 million, a \$5.9 million increase (12.4%) compared to May 2006. The REC estimate for FY 2007 refunds is \$568.8 million, a decrease of \$17.4 million (3.0%) compared to actual FY 2006. Fiscal year-to-date (accrual basis), refunds are \$27.6 million (- 5.1%) below the same period last year.

Status of the Economy

Iowa non-farm employment was reported at 1,525,200 for the month of April (not seasonally adjusted), 18,800 higher (1.2%) than April 2006.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,509,200, so annualized Iowa non-farm employment is 30,500 above its 2001 peak and 69,300 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002, but the trend remains negative.

Consumer prices increased 0.6% during the month of April (not seasonally adjusted). The Consumer Price Index (CPI-U) through April 2007 was 206.686 (1983/84=100), 2.6% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.



Core CPI, an inflation measure that excludes food and energy prices, increased 0.2% for April and the year-over-year change was 2.3%. The core inflation rate declined considerably from the early 1990's through March 2004. Since March 2004, inflation as measured by core CPI has more than doubled, moving from 1.2% to 2.5%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through May 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	May % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 2,631.7	\$ 2,843.5	8.0%	27.3%	\$ 2,854.2	\$ 3,033.9	6.3%
Sales/Use Tax	1,746.7	1,768.4	1.2%	6.5%	1,881.1	1,905.7	1.3%
Corporate Income Tax	287.3	376.8	31.2%	3.0%	348.6	440.5	26.4%
Inheritance Tax	67.4	70.2	4.2%	-7.5%	73.1	75.9	3.8%
Insurance Premium Tax	85.9	78.5	-8.6%	-52.7%	121.4	116.9	-3.7%
Cigarette Tax	80.2	98.1	22.3%	136.4%	89.5	122.2	36.5%
Tobacco Tax	8.1	10.7	32.1%	53.3%	9.2	11.6	26.1%
Beer Tax	12.8	12.8	0.0%	0.0%	14.2	14.2	0.0%
Franchise Tax	30.1	28.7	-4.7%	-35.8%	35.5	36.9	3.9%
Miscellaneous Tax	0.6	0.9	50.0%	0.0%	0.6	1.0	66.7%
Total Special Taxes	\$ 4,950.8	\$ 5,288.8	6.8%	16.1%	\$ 5,427.4	\$ 5,758.8	6.1%
Institutional Payments	11.7	11.7	0.0%	0.0%	13.0	12.6	-3.1%
Liquor Profits	53.5	57.5	7.5%	0.0%	63.8	66.8	4.7%
Interest	17.3	28.1	62.4%	-17.6%	17.5	29.0	65.7%
Fees	73.1	79.6	8.9%	-31.7%	76.2	81.8	7.3%
Judicial Revenue	55.5	59.9	7.9%	-11.1%	63.1	64.3	1.9%
Miscellaneous Receipts	41.1	32.6	-20.7%	8.7%	49.7	35.8	-28.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 5,263.0	\$ 5,618.3	6.8%	15.1%	\$ 5,770.7	\$ 6,109.1	5.9%